

# Procedure for Anti-Money Laundering



ArcelorMittal

## 1. Purpose

This Procedure for Anti-Money Laundering should prevent ArcelorMittal from involvement in all money laundering activity.

Therefore, this Procedure for Anti-Money Laundering seeks to:

- Ensure that ArcelorMittal and its business units, representatives and subsidiaries are compliant with regulatory provisions related to anti-money laundering,
- Prevent misuse of ArcelorMittal's infrastructure and funds for money laundering and/ or terrorist financing,
- Promote adherence of prescribed accounting procedures and uphold the standards of record keeping,
- Foster robust and standardized implementation of anti-money laundering controls in all geographies aligned with standards of good practice in the industry.

These guidelines should be considered and integrated into all further actions and should be read in conjunction with the ArcelorMittal Code of Business Conduct, the principles of which are fully supported herein.

## 2. Scope

This Procedure for Anti-Money Laundering applies to all geographies in which ArcelorMittal operates or conducts business. When the laws in specific countries require a higher standard, the local standard shall take precedent.

Furthermore, this Procedure for Anti-Money Laundering applies to all employees at ArcelorMittal, including permanent and non-permanent staff at ArcelorMittal Group and, subject to local regulations, to all its subsidiaries, affiliates, branches and representative offices, unless legal or supervisory requirements or proportionality considerations determine otherwise.

It is the responsibility of each manager to ensure that this Procedure for Anti-Money Laundering is known and conformed to within his/ her respective area of responsibility.

The Board of Directors at ArcelorMittal is responsible for overseeing and monitoring ArcelorMittal's approach to Anti-Money Laundering.

## 3. Definition of Money Laundering (ML)

Money Laundering is defined as the process of concealing the criminal origin of money or other assets (such as raw materials), so they appear to come from a legitimate source. UNODC describes money laundering as "the processing of criminal proceeds to disguise their illegal origin". Illegally obtained proceeds are usually the result of drug trafficking and dealing, robbery, fraud, corruption, terrorism, and other serious crimes. Illegally obtained proceeds are usually the result of drug trafficking and dealing, robbery, fraud, corruption, terrorism, and other serious crimes. At ArcelorMittal, money laundering could occur through the misuse of ArcelorMittal's infrastructure and circumvention of existing controls to launder money via sales, purchases, and other contracts.

Money laundering needs to be distinguished from fraudulent conduct by third parties such as raising fraud purchasing orders or misconduct by insiders including collusion with third parties and manipulation of financial records. For concerns related to fraudulent conduct by third parties, reach out to Forensic and for misconduct by insiders, reach out to Compliance or report anonymously via the whistleblowing process.

## 4. Principles and objectives

The objective of this Procedure for Anti-Money Laundering is to prevent money laundering or use of our infrastructure for money laundering. It ensures that Group-level standards are set and applied, to which business units should align their local procedures and policies. It also ensures that controls are put in place and that regular monitoring and testing are conducted, as well as reporting.



## 5. Roles and responsibilities

All employees are expected to be well-versed with the procedure, act responsibly in accordance with the procedure and proactively escalate to the Compliance Officer or Legal Counsel, when required. In relation to the Procedure for Anti-Money Laundering, the roles and responsibilities are split between the employees, Group Compliance, the Compliance Network, and other functions including but not limited to Global Assurance, Health & Safety, etc.

### Executive Officers are responsible for:

- Overseeing and monitoring ArcelorMittal's overall response to money laundering

### Group Compliance is responsible for:

- Developing Group-wide standards and frameworks to mitigate money laundering risk
- Ensuring that established controls are implemented effectively at Group-level and that operations are compliant with this Procedure

### Compliance Network is responsible for:

- Regularly conducting monitoring and testing on anti-money laundering controls
- Ensuring that established controls are implemented effectively at a local level and that operations are compliant within respective areas of responsibility

### Employees are responsible for:

- Applying controls that have been set by Group Compliance. This particularly is the case for employees who deal with third parties and/or perform transactions
- Leveraging the whistleblowing process, as detailed out in the Procedure for Whistleblowing, to report misconduct anonymously

### Audit Committee is responsible for:

- Overseeing implementation of anti-money laundering controls

### Internal Assurance is responsible for:

- Performing independent testing on the anti-money laundering framework

## 6. Training

All employees at ArcelorMittal shall be made aware of this Procedure through inclusion in training related to the Code of Business Conduct.

## 7. Glossary

Cash means money or its equivalent (such as a check) paid for goods or services at the time of purchase or delivery.

Compliance Framework means the document which states the missions, organization, and procedure for compliance within ArcelorMittal Group.

Compliance Monitoring & Testing Procedure means the procedure which illustrates the steps executing monitoring & testing activities.

Compliance Network refers to Compliance officers aligned to and providing coverage for a specific business area, unit, or function.

Compliance Programme refers to a set of documents which includes compliance policies and procedures, compliance trainings, compliance certificates as well as periodic evaluation of the implementation and effectiveness of the Compliance Programme and audits designed to detect non-compliance.

Compliance Risk Assessment means the assessment per compliance risk type according to the risk severity and likelihood of the risk occurrence.

Compliance Risk Assessment Procedure means the procedure which illustrates the steps executing the Compliance Risk Assessment.

Procedure for Due Diligence describes the activities that are conducted to assess the risk of third parties before entering into business relationships and on an ongoing basis as well as on a transaction level.

Subsidiary means any company or legal entity fully consolidated and controlled by ArcelorMittal S.A.

Manual of Accounting Policies (MAP) provides an overview of ArcelorMittal's accounting policies and homogenizes critical accounting treatments across the Group in compliance with IFRS requirements.

## 8. Money Laundering typologies and controls in place

Typical typologies covering money laundering risks include country, industry sectors, third-parties, secondary money laundering, products, and employees.

### Third-Party

Business interactions with third parties constitute the highest money-laundering risk for ArcelorMittal.

Risk scoring and due diligence should be conducted on all third parties before engaging in any business activities to ensure transparency on the risk they pose to ArcelorMittal and the controls they have deployed in order to mitigate money laundering themselves.

Due diligence describes a standardized process whereby information on a third-party is collected and assessed to mitigate the risk that the third-party may be involved in money laundering. The due diligence assessment is also updated on an ongoing basis to be able to spot when significant changes to a third-party occur that change the risk level for ArcelorMittal, e.g., third-party is increasing the number of subsidiaries or moving to a high-risk country.

For detailed guidance on how risk scoring and due diligence on third parties is conducted, please refer to the Procedure for Due Diligence.

### Transactions

Transactions are the main path that allows for money laundering to take place. Adding illicitly sourced money into the system by buying a product is a convenient way for criminals to pursue money laundering. For example, by purchasing considerable amounts of steel for large infrastructure projects, illicitly sourced money can be invested conveniently.

There are multiple factors that cause a transaction to be classified as high risk for money laundering, e.g., use of cash, transfers to/ from risky geographies, mismatch between entity mentioned in the invoice and the payment entity, etc. All risk factors for transactions that should be checked

before engaging in any specific transaction are described in the Procedure for Due Diligence.

For guidance on overall transaction due diligence, please also refer to the Procedure for Due Diligence.

### Country

Some countries are identified as having limited regulations and controls with regards to money laundering. The US, EU, and industry bodies (e.g., FATF) have issued grey- and blacklists of countries regarding their underlying money laundering risk. These lists assess the money laundering risk based on the extent to which a country addresses strategic deficiencies to counter money laundering, terrorist financing, and financing of proliferation. ArcelorMittal is primarily using the FATF and EU lists to classify ML country risk. The country lists are included in the risk scoring approach detailed in the Procedure for Due Diligence.

Business activities and other transactions with third parties located in these countries pose a heightened money laundering risk to ArcelorMittal, as criminals may deliberately seek these locations to engage in money laundering activities. Before engaging in a business relationship with a third-party located in a high-risk country, due diligence on the related third-party and/or the specific transaction should be conducted. For detailed guidance on how to perform due diligence, please refer to the Procedure for Due Diligence.

Besides dealing with third parties, a high ML country risk creates also risks for ArcelorMittal's own operations within these locations, as business activities may be abused to conceal money laundering activities.

### Industry Sector

Doing business with specific industry sectors can represent a significant risk to ArcelorMittal and expose the company to money laundering risk. ArcelorMittal has identified industry sectors as critical including defense & military, automotive, mining, and oil & gas, etc.

Criteria used to identify sectors that provide a higher ML risk include, among others, their cash intensiveness, the focus on consumer vs. business clients, the degree of regulatory oversight with regards to ML and the criticality for national industry.

To prevent ArcelorMittal from becoming associated with money laundering activities, the underlying ML risk of identified industries is accounted for during risk scoring. Due diligence should be conducted on the third-party operating in an identified high-risk industry sector according to the Procedure for Due Diligence.

### Secondary ML

Customer chains pose a major money laundering risk to ArcelorMittal, as customers might resell the product purchased from ArcelorMittal to an end-customer, who is executing the purchase by injecting money into the system that has illicit origins. For example, ArcelorMittal might sell a product to a construction company that resells it to a real estate company involved in money laundering activities. Suppliers might have bought material that is sold to ArcelorMittal from previous suppliers who engage in money laundering activities. For instance, a mining company might have a subcontractor that is financed through illicit money sources. Transparency on the supply chain and on the end-customer is essential to protect ArcelorMittal from being indirectly engaged in money laundering activities.

Supplier attestations can contribute to the mitigation of secondary ML risk for ArcelorMittal. Secondary ML through the customer chain can be mitigated through customer declarations attesting that the sold product will not be diverted and used by unknown end-customers.

### Products

Certain products embody a money laundering risk, due to their usage or production process. Dual use of products poses a risk that needs to be considered at all times, e.g., if a contract is not directly involving defense industry purposes, but ArcelorMittal's product is further sold to end-customers that might conceal such a purpose.

Product risk is also often associated with the money laundering risk of the industry sector that it is primarily used in. For instance, construction material may be primarily used in industry sectors with heightened money laundering risk and selling these products may therefore constitute a higher risk for ArcelorMittal. The risk scoring performed as part of third-party due diligence captures this industry sector risk and therefore, addresses the product risk implicitly.

For detailed guidance on how to perform due diligence, please refer to the Procedure for Due Diligence.

### Employees

Some employees may abuse their company responsibilities to engage in money laundering activities. In particular, employees having discretionary and decision-making power in transactions or work in business areas with heightened money laundering risk, i.e., dealing with third parties, pose a higher risk to ArcelorMittal. For instance, employees may be bribed to authorize transactions that involve money stemming from illicit sources. To mitigate the risk posed by employees, a background check should be conducted on employees before employment to verify ML-specific concerns. These background checks should ideally include insights into the criminal record and a financial health assessment (including review of credit history) but should be in accordance with local law (e.g., data and privacy regulations) and based on the availability and accessibility of necessary data and documents.

## 9. Monitoring & Testing

Compliance should monitor and test the controls for managing AML risk in line with the Procedure for Compliance Monitoring & Testing. On a periodic basis, when deemed appropriate by Group Compliance, specific AML controls will be tested independently by the Compliance Network.

## 10. Accounting procedures and record-keeping

To reduce the incidence of money laundering, Compliance shall ensure that all the accounting procedures established in the Manual of Accounting Policies are followed while transacting with third parties and as warranted by anti-money laundering laws, robust record-keeping shall be enforced throughout the course of the third-party's lifecycle.

## 11. Cooperation with authorities

ArcelorMittal shall strive to fully cooperate with the responsible authorities in connection with any investigations related to money laundering. If a cooperation with an authority is requested, relevant employees should engage with Legal or Compliance before starting the cooperation.